



The **AUTHORITY REVIEW 2007**

Providing flexible financing options for nonprofit healthcare and community service providers

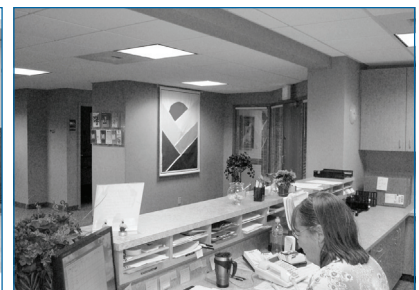
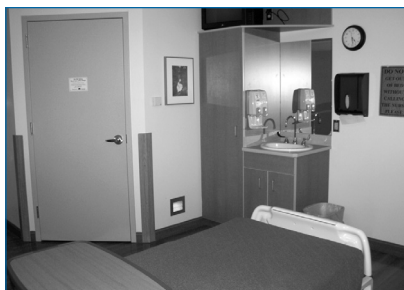
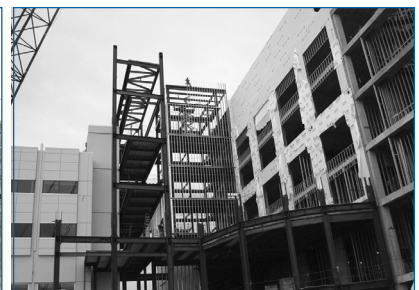
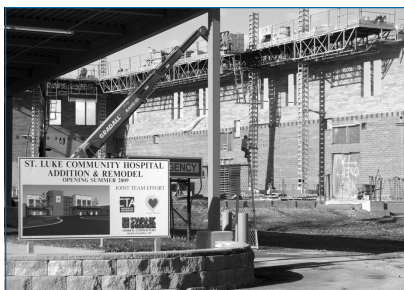
December 2007



*Over \$1.5 Billion
in Financings throughout Montana
since October 1, 1983*

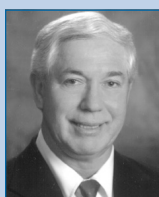


October 1, 2008, marks the 25th anniversary
of the Montana Facility Finance Authority.

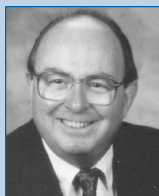


Board

A seven-member board, appointed by the Governor of Montana, directs the Montana Facility Finance Authority, which is staffed by an executive director and an associate director. The board is broadly representative of the state and seeks to balance professional expertise and public accountability. Members review and approve complex borrowings and help ensure that the Authority continues to offer a mixture of programs that are relevant to Montana's changing needs. At press time there is one vacancy on the Authority Board.



JON MARCHI
Chairman
*Venture Capital/
Ranching*



JAMES (BILL) KEARNS
Bank Chairman



RICHARD KING
*President/CEO of an Area
Economic Development
Corporation*



LARRY PUTNAM
Hospital Administrator



KIM RICKARD
*Business Manager
Laborer's Union*



JOE QUILICI
*Former Business Owner
and State Representative*

Financial Innovations Strengthen Non-profits

Dear Fellow Montanans:

As we begin our milestone 25th anniversary year of providing effective tax-exempt bond solutions for Montana healthcare and other qualified non-profit facilities, we are very pleased to report that 2007 was another excellent year. We issued \$198 million in tax-exempt bonds and other loans to finance 15 projects throughout the state.

The true measure of how much we have accomplished since inception is that in this last year we completed over \$1.5 billion in financings for projects benefiting Montanans – all without using a single dollar in state tax funds. We rely solely on fees generated by individual bond offerings and loans to fund our operation.

Last year's highlights include:

- Doubling our Statutory Issuance authority from \$250 million to \$500 million and making it effective immediately for the biennium ending June 30, 2007. This important and timely action by the Legislature allowed the Authority to finance \$400 million to qualified non-profits.
- Adding more than \$170 million in new construction and facilities improvement for Montana healthcare centers and other qualified non-profits.
- Providing Montana's Critical Access Hospitals (CAH) that serve rural areas access to the capital market at very favorable rates – made possible by the cooperation of the Montana Board of Investments.
- Increasing assistance to underserved clients through the Trust Fund Loan Program. This program provides quick access to reasonable interest rates and rapid turnaround for Montana's rural healthcare system including community clinics and developmental disability facilities.

On October 1, 2008, we will celebrate our 25th anniversary. Created in 1983 as the Montana Health Facility Authority, our name was changed to the Montana Facility Finance Authority in 2001 to reflect our growing diverse support role for qualified non-profits.

We thank our dedicated Board members and our highly professional staff and associates for their commitment to advancing the business of non-profits and their vital role in Montana. We pledge to continue pioneering innovative and successful financing solutions that will benefit all Montanans.

Jon Marchi

Chairman of the Board

Michelle Barstad

Executive Director

2007 Financings

Direct Loan Program

Loans up to \$200,000 for five years from Authority funds.

Lewistown, Fergus County

- Central Montana Medical Center: \$64,980 loan: replace ultrasound system.
Interest Rate: 4.33 % . Term: 5 years

Great Falls, Cascade County

- Gateway Community Services: \$80,000 loan: additional remodel costs.
Interest Rate: 6.28 % . Term: 5 years
- Gateway Community Services: \$13,300 loan: purchase computer equipment.
Interest Rate: 4.36 % . Term: 3 years

Townsend, Broadwater County

- Broadwater Health Center: \$30,595 loan: purchase of colonoscope.
Interest Rate: 4.66 % . Term: 4 years

Equipment Revenue Note Program

Notes that are placed with private investors.

Kalispell, Flathead County

- Kalispell Regional Medical Center: \$3,250,000 loan: fund new modular 14-bed unit, renovate existing 10-bed unit.
Interest Rate: 4.22 % Term: 10 years. Pricing: 5/14/07

Missoula, Missoula County

- Community Medical Center: \$1,000,000 loan: purchase of laboratory, radiology and operating room equipment.
Interest Rate: 4.71 % . Term: 5 years. Pricing: 05/15/07

Master Loan Program

Through the Montana Board of Investments, this program provides access to the tax-exempt capital market at investment grade interest rates for smaller hospitals.

Hamilton, Ravalli County

- Marcus Daly Memorial Hospital: \$ 7,135,000: major expansion and enlargement of emergency room, parking facilities and utilities.
Interest Rate: 4.79 % Term: 20 years. Pricing: 01/18/07. Rating: Aa3/AA-

Ronan, Lake County

- St. Luke Community Health Care Network: \$23.5 million in bonds: renovate existing and construct new hospital buildings.
Interest Rate: 5.34 % . Term: 25 years. Pricing: 6/13/07. Rating: Aa3/AA-

Wolf Point/Poplar, Roosevelt County

- Northeast Montana Health Services, Inc.: \$12,515,000: major remodel of hospitals and clinics, purchase of new equipment.
Interest Rate: 4.91 % . Term: 25 years. Pricing: 4/19/07. Rating: Aa3/AA-

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**Kalispell, Flathead
County
Kalispell Regional
Medical Center**

\$3.25 million in notes were issued to create a new and modern 24-bed unit.

BENEFIT: Reduce patient overflow problem and in-patient bed waiting time for post-surgical patients.



**Helena, Lewis and Clark County
St. Peter's Hospital**

\$22.1 million bond was structured to enable this sole community provider to build a new medical office building, finish the fourth floor of the patient tower and refinance existing debt.

BENEFIT: Easy access to low-cost money helps assure primary, acute and emergency services.



**Ronan, Lake County
St. Luke Community
Health Care Network**

\$23.5 million in bonds were issued to this Critical Access Hospital to renovate an existing building for new and expanded surgical services as well as construct a new building to house acute care, nursery, labor and delivery, laboratory, radiology, physical therapy and emergency services.

BENEFIT: Board of Investment's enhancement provided access to low-cost money allowing for the upgrade and expansion of the facility, which primarily serves residents of Lake and Sanders counties.



**Missoula, Missoula County
Community Medical Center**

\$1 million loan was made to replace outdated laboratory, radiology and operating equipment.

BENEFIT: Easy access to low-cost money provides reliable and safer diagnostic and surgical environment.



**Hamilton, Ravalli County
Marcus Daly Memorial Hospital**

• \$1,436,700 loan was made for the purchase of a 64-slice CT scanner.

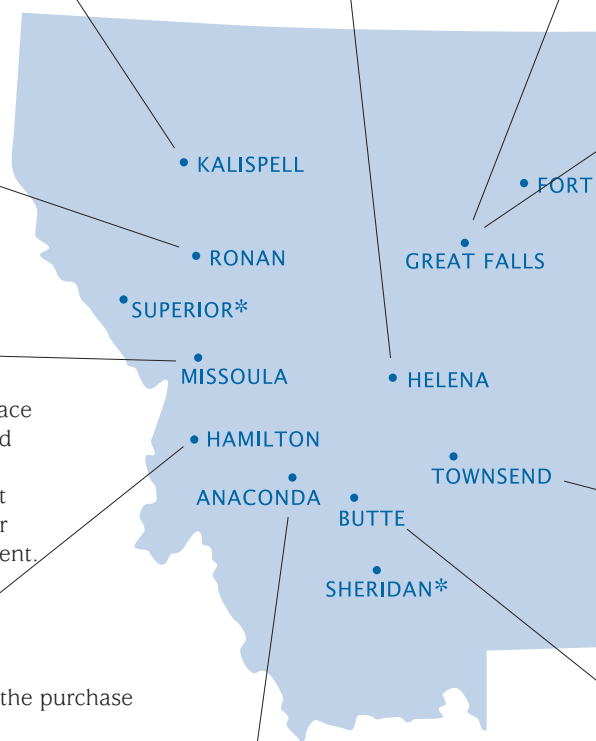
• \$7,135 million bond for construction and new equipment including addition of an emergency room to hospital facility as well as new access road, parking lot, and utility lines for water, sewage and electrical services.

BENEFIT: Easy access to low-cost money saves one of the state's largest Critical Access Hospitals significant interest costs over the life of the bond to upgrade facilities and diagnostic capabilities.

**Anaconda, Deer Lodge
Community Hospital of Anaconda**

\$450,000 loan was made to purchase a new ultrasound machine for the emergency room, a new boiler and other equipment.

BENEFIT: Upgrade of equipment improved diagnostic capability, energy efficiency and safety.





Great Falls, Cascade County
Benefis HealthCare System

\$125 million bond structured to meet the needs of Montana's largest hospital to help complete part of its master plan including a new patient tower on the East Campus, remodeling of existing nursing units, renovation of the ICU, expansion of infrastructure and cutting edge equipment including CyberKnife® (see page 7).

BENEFIT: Favorable interest rate made it possible to bring state-of-art healthcare services to a fourteen county area.



Great Falls, Cascade County
Gateway Community Services

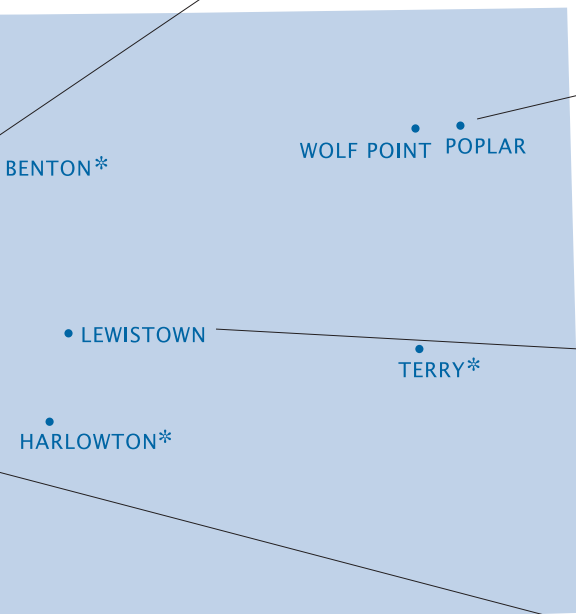
- \$13,300 loan was made to purchase two medical condominiums.
- \$80,000 loan was made to cover the additional condominium remodeling costs.
- \$13,300 loan was made to buy a new computer server and 12 computer work stations.

BENEFIT: Consolidation of two leased locations to owned facility and expedite accurate record keeping and patient billing.

Wolf Point/Poplar, Roosevelt County
Northeast Montana Health Services, Inc.

\$12.5 million bond was issued to address structural issues, asbestos abatement, expand and update clinic, laboratory, and radiology facilities in both locations as well as construct a new emergency room and OB area, and renovate business offices in Wolf Point.

BENEFIT: Improve services and environment for patients.



Lewistown, Fergus County
Central Montana Medical Center

\$64,980 loan for ultra-sound equipment.

BENEFIT: Provide dependable diagnostic service for patients locally.



* Montana Capital Assistance Program grant recipient

Townsend, Broadwater County
Broadwater Health Center

\$30,595 loan was made for the purchase of colonoscope.

BENEFIT: Provide locally needed medical service, saving the served community trips to out of town facilities.



Butte, Silver Bow
BSW, Inc.

\$1 million loan to purchase property that will become the "campus" for providing all services.

BENEFIT: Allows consolidation of programs and administrative office for greater coordination of services.



2007 *Financings* continued from page 3

Montana Capital Assistance Program

Grants up to \$15,000 with a 20% cash match to small rural hospitals. The following were approved:

Fort Benton, Choteau County

- Missouri River Medical Center: \$14,800 grant: Facility Master Plan.

Harlowton, Wheatland County

- Wheatland Memorial Healthcare: \$15,000 grant: Facility Master Plan.

Sheridan, Madison County

- Ruby Valley Hospital: \$12,780 grant: Facility Master Plan.

Superior, Mineral County

- Mineral Community Hospital: \$5,600 grant: Scope of Service Review.

Terry, Prairie County

- Prairie Community Health Center: \$10,000 grant: Facility Master Plan/Capital Financing Plan.

Stand-Alone Bond Financing

Bond issue structured for individual borrower and publicly sold.

Great Falls, Cascade County

- Benefis HealthCare System: \$125 million: finance/reimburse, renovate, infrastructure improvements, equipment.
Interest Rate: 4.90 %. Term: 30 year. Pricing: 4/3/07.
Rating: AAA/A-

Helena, Lewis and Clark County

- St. Peter's Hospital: \$22,100,000 in bonds: construct medical office building and finish out floor of hospital's patient tower.
Interest Rate: 4.69 %. Term: 30 year. Pricing: 3/7/07.
Rating: A3

Trust Fund Loan Program

Makes short- and long-term loans from Permanent Coal Trust Fund.

Anaconda, Deer Lodge

- Community Hospital of Anaconda: \$498,000 loan: equipment, new boiler.
Interest Rate: 6.54 %. Term: 5 years.
Pricing: July 2007

Butte, Silver Bow

- BSW, Inc.: \$1,000,000 loan: purchase property to consolidate client services.
Interest Rate: 6.38 %. Term: 10 years.
Pricing: February 2007

Great Falls, Cascade County

- Gateway Community Services: \$513,330 loan: purchase two medical condominiums.
Interest Rate: 6.28 %. Term: 20 years.
Pricing: October 2006

Hamilton, Ravalli County

- Marcus Daly Memorial Hospital: \$1,436,700 loan: purchase 64-slice CT scanner.
Interest Rate: 6.21 %. Term: 7 years.
Pricing: June 2006

Interest Rates as of 12/28/2007

	CURRENT	THREE MONTHS AGO	ONE YEAR AGO
Variable Rate (tax-exempt, weekly reset)	3.42%	3.84%	3.91%
Bank Prime Rate	7.25%	7.75%	8.25%
5-Year Treasury Note	3.62%	4.22%	4.68%
10-Year Treasury Note	4.20%	4.57%	4.68%
25-Year Revenue Bond (tax-exempt, long-term)	4.80%	4.77%	4.56%

October 2, 2008
Join Our
25th Anniversary
Celebration



As we rev-up for the 25th, we got to wondering, "Did You Know"....

- The Legislature formed the Montana Facility Finance Authority's predecessor agency, the Montana Health Facility Authority in 1983 in response to a special Governor's panel convened to look for ways to contain healthcare costs and help rural healthcare providers finance projects.
- The Authority enables qualified non-profit healthcare and community service providers to access financial markets at favorable interest rates through innovative programs. By successfully assuring that rural Montana continues to have available primary care and emergency medical services, Montanans statewide benefit from our activities.

CyberKnife®

Bringing State-of-the-art Cancer Care to Montanans

We are proud of the Authority's role in helping make possible in Montana a new state-of-the-art cancer treatment option called CyberKnife®. Having this opportunity available has further strengthened the oncology leadership role of the Sletten Cancer Institute at Montana's largest medical complex, Benefis Healthcare in Great Falls.

For Montanans, CyberKnife®, the latest in radiosurgery, means many patients treated with this technology can have their treatment in the morning and sleep in their own beds that night – every cancer patient's dream. Studies show that when a patient can go home, healing is greatly enhanced, as is quality of life.

Sletten's CyberKnife®, invented by Stanford University neurosurgeon Dr. John Adler, is one of only 100 in use in the world. It is so precise that it can destroy tumors without damaging any surrounding healthy tissue. Through real-time imaging, CyberKnife® knows exactly where to direct the multiple beams of high-energy radiation. No incision, anesthesia or recovery time is involved for most patients. Unlike other technologies currently in use, this "intelligent machine" adjusts for both patient and tumor movement without the need for screwing a steel frame into a patient's skull. The technology also is effective in treating vascular abnormalities.

The Institute's design includes an environment of "healing gardens," a solarium and meditation room. It provides a multi-disciplinary approach to leading-edge cancer treatment that includes advanced medical care and therapies. Since it opened, Sletten has treated Montanans as well as patients from throughout the region.

As a non-profit, Benefis was able to turn to the Authority to help finance its master facility plan – including the purchase of CyberKnife® – by issuing a high-quality, tax-exempt bond. The favorable low-interest rates through the Authority can save non-profits thousands, perhaps millions, of dollars over the life of a bond issue.



Photo by Doug Worrell



Photo by Doug Worrell

- In 1999, the Legislature authorized the Board of Investments (BOI) to guarantee Authority loans to hospitals that otherwise wouldn't have access to public financial markets. This guarantee, and the lower interest rates it makes possible, saves small rural hospitals, notably Critical Access Hospitals, millions of dollars in interest costs over the life of the bonds issued.

- Under state law the services of the Authority are available only to Montana qualified non-profit healthcare, community service providers and pre-release centers.



- To launch the program in 1983 the new Authority was given a \$35,000 inter-entity loan from the state which was repaid in full within the year. Since that time the Authority has received no Montana tax dollars to offer this financial service and economic development tool.

- The money non-profit institutions save from lower interest rates made available through the Authority may be re-invested in expanded services, reduced patient costs and/or offer community programs.

Montana Facility Finance Authority ...

... Helps



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Montana's Critical Access Hospital Program

Keeping the Doors Open for Rural Healthcare

Back in 1987, McCone County Hospital, in Circle, Montana, was in real danger of flat lining – closing its doors forever.

But thanks to a federal program modeled on an earlier pioneering Montana program to keep rural hospitals open, McCone County Health Center today is the prototype for healthy rural hospitals throughout Montana.

In 1987, the Center faced shrinking bed occupancy rates, declining reimbursements from Medicaid and Medicare, and intensifying market pressure to lower its costs. That year the Montana Legislature created the state's Medical Assistance Facility (MAF) program – the model for the current federal Critical Access Hospital (CAH) program passed in 1997.

The CAH program relaxed federal staffing regulations and modified Medicare reimbursement rates geared more to large urban hospitals. Since 1990, when McCone County Hospital became Montana's first CAH, the number in the state has grown to 45. This vital network assures that rural populations

continue to receive basic care. The CAHs are linked with urban hospitals and specialists to care for patients who need greater levels of care.

We at the Authority tip our hat to the visionary Montanans who helped create the MAF program opening the way for the federal CAH program. Especially notable are former State Rep. and Sen. Cecil Weeding of Jordan, and U.S. Senator Max Baucus. Their efforts have not only benefited all Montanans, but people in rural areas throughout the U.S.

The Authority stands ready to help Montana CAHs meet the ever-changing healthcare needs of their communities. As part of our commitment to monitor and adapt our cutting edge services, we modified our Master Loan Program in 1994 to provide the Authority with a financing vehicle that would benefit CAHs. Because of the collaboration with the Montana Board of Investments, in 2007 this Program was effectively used in Ronan, Wolf Point/Poplar and Hamilton.